88-1330

No.

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

GETTY PETROLEUM CORP.,

Petitioner,

– against –

SALEM HEAT & PETROLEUM CORP.
and LEWIS CAHILL,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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QUESTIONS PRESENTED

1. Whether it constitutes a deprivation a party's right to a trial by jury pursuant to the Seventh Amendment of the United States Constitution for an appellate court to vacate a punitive damage award as excessive and remand the case to the district court for it to assess punitive damages in an amount not to exceed a circumscribed sum.

2. Whether review of a jury verdict may be constitutionally reversed as excessive on the grounds that it is "so high as to shock the judicial conscience and constitute it denial of justice."

3. Whether a punitive damage award may be reversed on the grounds that it is disproportionate to the compensatory damage award.

4. Whether a Federal Court is authorized to charge punitive damages in an

appropriate case pursuant to the Lanham Trademark Act of 1946, 15 U.S.C. §§ 1051, et seq.

PARTIES

Getty Petroleum Corp., plaintiff (petitioner in this Court, also referred to as "Getty"), Island Transportation Corp., defendant, Skybolt Auto Service, Inc., defendant, Vito P. Gerbino, defendant, Vincent R. Gerbino, defendant, Thunderking, Inc., defendant, Tri-Star Brokers, Inc., defendant, Turgot Ozen, defendant, Salem Heat & Petroleum Corp., defendant (respondent in this Court, also referred to as "Salem"), and Lewis Cahill, defendant (respondent in this Court, also referred to as "Cahill"). There are no affiliated companies nor subsidiary companies of Getty, except wholly owned subsidiaries.

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Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

Petitioner, Getty Petroleum Corp., ("petitioner" or "Getty"), respectfully prays that a writ of certiorari issue to review so much of

the judgment of the United States Court of Appeals for the Second Circuit, entered on October 20, 1988, as vacated the award of punitive damages under § 35 of the Lanham Act, based on its determination in Getty Petroleum Corp. v. Bartco Petroleum Corp., 858 F.2d 103 (2d Cir. 1988) ("Getty I") that punitive damages were unavailable under the Lanham Act, and remanded the case to the District Court for its determination of the availability of punitive damages under Getty's state law causes of action. On remand, the Court of Appeals propounded the following three questions to the District Court, whether: (1) plaintiff's non-Lanham Act claims were still alive at the close of trial; (2) punitive damages may be awarded under the law of New York for

those claims; (3) plaintiff had proved its state law causes of action. Upon so finding the District Court was instructed to enter judgment for punitive damages in an amount not to exceed $250,000, stating that "there is no need for a third jury trial".

The determination of a maximum amount of punitive damages by the Court of Appeals denied Getty a jury trial on that issue pursuant to its state law claims. A petition for rehearing was denied on December 5, 1988. The decision of the Second Circuit was issued as a mandate on November 14, 1988.

OPINIONS BELOW

The opinion of the Court of Appeals is reported at 862 F.2d 10 (2d Cir. 1988), and a copy thereof is annexed hereto as Appendix A. The

opinion of the District Court for the Eastern District of New York, dated March 4, 1988, is not officially reported. A copy thereof is annexed as Appendix B. The Memorandum of Decision of the District Court upon the remand determining in the affirmative the three questions propounded by the Court of Appeals and awarding $250,000 in punitive damages, dated January 12, 1989, is not officially reported and is annexed as Appendix C.

JURISDICTION

The judgment of the Court of Appeals was entered on October 20, 1988. A copy of that judgment is annexed hereto as Appendix D. The petition for rehearing was filed and was denied by order of the Second Circuit entered on December 5, 1988. A copy of that order is annexed hereto

as Appendix E. The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1). This petition is filed within the time allowed by law.

CONSTITUTIONAL PROVISIONS AND STATUTES

The statutory provisions involved in this petition are the Lanham Trademark Act of 1946, 15 U.S.C. §§ 1051 et seq., 1114(1), 1116-1118, and 1125(a), which are set forth in Appendix F; and the Seventh Amendment to the United States Constitution which is set forth in Appendix G.

STATEMENT OF THE CASE[1]

Getty initiated this action in the United States District Court for the Eastern District of New York. The complaint alleged the sale of non-Getty gasoline by two Getty gasoline stations in New York (the "Middle Village" and "Garden City Park" stations). (A 50-62)[2] Getty's claims arise under the Lanham Act for

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[1]The Second Circuit, in its reported decision, referred to this case as Getty II and to its companion case, Getty Petroleum Corp. v. Bartco Petroleum Corp., 858 F. 2d 103 (2d Cir. 1988), as Getty I. Getty I was decided on September 22, 1988 and Getty II on October 20, 1988.

[2]Numbers in parenthesis preceded by the letter "A" refers to the Joint Appendix submitted to the Court of Appeals. References to one of the Appendixes submitted to this Court along with this petition will be identified as "Appendix A", "Appendix B", etc., followed by a number representing the page.

trademark infringement (Count I) (A 53-58); unfair competition by means of false designation of origin, false description and false representation (Count II) (A 58-59); unfair competition under the common law (Count III) (A 59); dilution of the trademark value under New York State law (Count IV) (A 59); and false advertising under New York State law (Count V) (A 59-60).

Respondent, Salem, is a gasoline distributor owned and operated by respondent, Cahill. Getty charged Salem and Cahill with contributorily infringing upon Getty's trademark by actively soliciting the sale of gasoline to the Middle Village and Garden City Park stations with knowledge that the operators of those Getty brand stations would then resell the

Salem supplied gasoline to the public under the Getty brand as if it were Getty supplied gasoline. (A 56)

In this case, as distinguished from Getty I, the plaintiff did not withdraw any causes of action, legal theories or claims. As in Getty I, however, there were two jury trials. At the first trial, held on November 23, 1987 through December 1, 1987, the jury found that the respondents engaged in contributory infringement of the Getty trademark "knowingly, intentionally, maliciously and with a callous disregard for the rights of Getty and its trademark". (Appendix B 6) It awarded punitive damages against both respondents in the sum of $875,000. (Appendix B 5, A 380).

The respondents moved for judgment notwithstanding the verdict

("judgment n.o.v."). The District Court set aside the punitive damage award against respondents, finding it so high that "it shocks the conscience of the court." Getty declined the Court's offer to remit the award of punitive damages in excess of $100,000, and elected instead to have a second jury hear the issue. (Appendix B 13)

On February 29, 1988 through March 3, 1988, the District Court held a second jury trial solely on the issue of punitive damages. The second jury returned a verdict awarding punitive damages against respondents in the higher amount of $1,000,000. (Appendix B 13, A 1748). Respondents again moved for judgment n.o.v., claiming that the second verdict was also excessive. The District Court

denied the motion, finding the evidence presented at the second trial sufficient to support the higher verdict. (Appendix B 13) The Court awarded Getty attorney's fees for the first trial in the sum of $55,521.15 (Appendix B 23) and for the second trial in the sum of $78,605.46. (A 1791)

The Court of Appeals for the Second Circuit, following its decision in Getty I, vacated the punitive damage award to the extent that it was based on the Lanham Act, and remanded the case to the District Court, to consider whether punitive damages were available under Getty's non-Lanham Act causes of action. The decision directed the District Court to determine whether: (1) Getty's non-Lanham Act claims were still alive at the

close of the trial; (2) punitive damages may be awarded under the law of New York for those claims; (3) Getty proved its state law causes of action. (Appendix A 8-9)

In its decision, the Court of Appeals found that "there is no need for a third jury trial in this matter". (Appendix A 9-10) It directed the District Court to enter an award of punitive damages not to exceed $250,000, "since any larger amount than that would be 'so high as to shock the judicial conscience' and constitute a denial of justice." (Appendix A 9) Petitioner seeks review of that decision, which deprived Getty of its right to a jury trial in violation of the Seventh Amendment to the United States Constitution.

Plaintiff also asks that this Court, as in Getty I, review the Second Circuit's determination that punitive damages may not be awarded in a Lanham Act case. (Appendix A 7) As a consequence of that ruling, Getty lost attorney's fees previously awarded for the second trial in the sum of $78,605.46, as the District Court ruled attorney's fees were not available under New York State law on its non-Lanham Act claims. (Appendix C 12-13)

On January 12, 1989, on remand, the District Court answered in the affirmative all three questions referred to it by the Court of Appeals and judgment was entered awarding Getty $250,000 in punitive damages against the respondents. (Appendix C 12-13) The District Court offset the

attorney's fees awarded at the second trial against the punitive damage award. (Appendix C 13)

REASONS FOR GRANTING THE WRIT

POINT I

GETTY'S CONSTITUTIONAL RIGHT TO A TRIAL BY JURY HAS BEEN VIOLATED

The Court of Appeals abridged petitioner's constitutional right to a jury trial on the issue of the amount of punitive damages, limiting petitioner's right to recover punitive damages to no more than $250,000.00. The Seventh Amendment states:

> In suits at common law, where the value in controversy shall exceed $20.00, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

In this case two juries awarded punitive damages of approximately the

same magnitude. Nevertheless, the Second Circuit usurped the role of finder of fact, disregarded both jury awards and imposed an amount of its own choosing.

The protection of the Seventh Amendment extends to all actions at law seeking money damages and is fully applicable to trademark infringement actions, as this Court held in Dairy Queen v. Wood, 369 U.S. 469 (1962). In Dairy Queen the Court upheld plaintiffs' right to trial by jury on both breach of contract and trademark infringement claims for money damages, noting that "we think it plain that their claim for a money judgment is a claim wholly legal in its nature however the complaint is construed." 369 U.S. 469, 477. The Court determined that the existence of equitable

claims in no way impinges upon a plaintiff's right to a jury trial on the legal claims in the case and that the categorization of a remedy as one for an "accounting," does not alter its essential nature as one for damages, where the accounting required is not too complicated for a jury's determination. Under New York State law the issue of exemplary damages belongs to the trier of fact -- in this case properly the jury. Walker v. Sheldon, 10 N.Y.2d 401, 223 N.Y.S.2d 488 (1961); Nardelli v. Stanberg, 44 N.Y.2d 500, 406 N.Y.S.2d 443, 377 N.E.2d 975 (1978).

The Second Circuit denied Getty a jury trial on the issue of the amount of punitive damages under New York law by stating, "there is no need for a third jury trial in this matter",

resting its decision on its belief that "all the facts are before the district court on the trial record." (Appendix A 9) Even if that were true, it would not justify preemption of the jury's function as finder of fact. The trial court found upon the remand that Getty was entitled to punitive damages under New York law and did enter a judgment in the amount of $250,000. After the Court determined that Getty was entitled to punitive damages, the issue of the amount of punitive damages should have been submitted to a jury. The Court of Appeals thus abridged Getty's Seventh Amendment right to a trial by jury.

A. JURY AWARDS MAY NOT BE REVIEWED FOR EXCESSIVENESS WITHOUT AT LEAST PRESERVING THE PREVAILING PARTY'S RIGHT TO A NEW TRIAL OR TO A NEW TRIAL CONDITIONED UPON DECLINING A REMITTITUR

Although this Court has noted that "[a]ppellate review in the federal courts is, of course, limited ultimately by the Seventh Amendment," Lumbermen's Mutual Casualty Co. v. Elbert, 348 U.S. 48, 53, f.n. 5 (1954), it has in the past declined to define the limit governing appellate review of the size of jury verdicts. Grunenthal v. Long Island Railroad Co., 393 U.S. 156, 158 (1968); Neese v. Southern Railway Co., 350 U.S. 77, 78 (1955). In this case, the United States Court of Appeals for the Second Circuit exceeded even the limits it had previously set for itself, by failing to offer the petitioner the option of a new trial, were petitioner

to decline the remittitur. The Court's direction that the District Court assess punitive damages in an amount not to exceed $250,000 raises a substantial question of federal constitutional law as to whether a court of appeals' power to review a jury verdict for excessiveness includes the right to mandate a maximum recovery, to be imposed by the district court judge, rather than jury, consistent with the Seventh Amendment of the United States Constitution.

After this Court's decision in Neese, the Second Circuit considered its power to review a verdict on "the sole ground that [it] was too high," Dagnello v. Long Island Railroad Co., 289 F.2d 797, 798 (2d Cir. 1961), noting that "[t]his question the Supreme Court has expressly reserved

for future determination." 289 F.2d 797, 801, citing Neese. After an exhaustive review of the state of the law at that time, the Dagnello court found near unanimity among the circuits and the fifty states in allowing some appellate review of the size of a verdict for excessiveness. 289 F.2d 797, 799, f.n. 1, 802. The Second Circuit concluded that "there is no constitutional obstacle to the exercise by a federal Court of Appeals of the power to review the exercise of discretion by the trial judge in refusing to set aside a verdict for excessiveness, and to resort to remittitur in proper cases . . ." 289 F.2d 797, 804.

This Court, in Grunenthal, although still not reaching the ultimate question, noted that it read

Dagnello "as requiring the Court of Appeals . . . to make a detailed appraisal of the evidence." 393 U.S. 156, 159. In Grunenthal, a jury had awarded a verdict of $305,000 on appeal. The Second Circuit ruled that it could not "in any rational manner consistent with the evidence arrive at a sum in excess of $200,000," and remanded the case for a new trial unless the plaintiff accepted a remittitur. Grunenthal v. Long Island Railroad Co., 388 F.2d 480, 484 (2d Cir. 1968). This Court, noting that the Court of Appeals had failed to make the detailed appraisal of the evidence mandated by its earlier decision in Dagnello, "made [its] own independent appraisal of the evidence," and sustained the jury award. Grunenthal, 393 U.S. 156, 160.

In this case, the Court of Appeals made almost no analysis of the relevant facts. Noting only that defendants claimed that the $1,000,000 jury award constituted "approximately fifty percent of their net worth and is likely to ruin them financially," and that "there is no mathematical formula to compute punitive damages," the court found "the ratio of compensatory damages . . . [to be] grossly disproportionate." (Appendix A 9)

Following that most cursory analysis of the facts, the Court concluded that any award of punitive damages greater than $250,000 would be "'so high as to shock the judicial conscience and constitute a denial of justice' [citation omitted]." (Appendix A 9) In doing so, the court substituted its own judgment not only

for that of the two juries who had heard the case, but for that of the trial judge who had, after what the court granted constituted careful review of the "additional evidence regarding punitive damages presented at the second trial . . . declined to vacate this award, as he had after the first trial." (Appendix A 6)

The Second Circuit, in this case, therefore, went further than the circumstances left open by this Court in Grunenthal and Neese, and plainly violated the Seventh Amendment, which limits appellate review of jury decisions to review available "according to the rules of the common law." Even assuming, arguendo, that the Seventh Amendment allows the Court of Appeals to set aside a jury's verdict at law as excessive, the Court was required,

as Judge Mishler did after the first trial, to offer plaintiff "the option of a new trial in lieu of the remittitur." McKinnon v. City of Berwyn, 750 F.2d 1383, 1391 (7th Cir. 1984).

As this Court observed in Kennon v. Gilmer, 131 U.S. 110 (1889):

> "at common law, the court, upon the hearing of a motion for a new trial, may, in the exercise of its judicial discretion, either absolutely deny the motion, or grant a new trial generally, or it may order that a new trial be had unless the plaintiff elects to remit a certain part of the verdict, and that, if he does so remit, judgment be entered for the rest."

131 U.S. 110, 113 (1889). Accord: Linn v. United Plant Guard Workers, 383 U.S. 53, 65-66 (1966). ("If the amount of damages awarded is excessive, it is the duty of the trial

judge to require a remittitur or a new trial.")

As we noted, this Court left open the question of whether the Seventh Amendment allows appellate review of a determination of the size of a damage award by the trial court. Even accepting the prevailing view that it does, this Court drew the line exactly 100 years ago in Kennon, in which it held that:

> "no court of law, upon a motion for a new trial for excessive damages and for insufficiency of the evidence to support the verdict, is authorized, according to its own estimate of the amount of damages which the plaintiff ought to have recovered, to enter an absolute judgment for any other sum than that assessed by the jury."

131 U.S. 110, 113-114.

By its decision below, the Second Circuit has now crossed that line. By

mandating a reduction of at least 75 percent of the jury's verdict, without offering plaintiff the option of a new trial, the Court of Appeals deprived plaintiff of its right to have a jury decide the question of damages. In so doing, the court came to the unprecedented conclusion that "there is no need for a third jury trial in this matter." (emphasis added) (Appendix A 9-10)

The Second Circuit's ruling may have been based upon the belief that a third jury trial would have ended in a result similar to those of the first two trials. If so, there was even less reason for the Court of Appeals to conclude that the verdict was shocking. While the Court perhaps considered it futile to permit a third trial (followed by a fourth trial,

etc.), until an award the Court would approve of is reached, this conclusion inherently demeans the importance of a jury verdict. Whether the case is tried two times or ten times is not the point. When the voice of the jury speaks and it is the same, a time must come that the Court of Appeals will consider its subjective judgment of an appropriate award unwarranted and yield to the verdict of the jury.

The requirement that the trial court offer plaintiff the option of a new trial is as well established as the right of the trial court to examine the size of the verdict in the first place. Both spring from the common law as it existed at the time of the adoption of the Seventh Amendment. For the lower court now "[t]o effectuate any change in these rules

is not to deal with the common law, qua common law, but to alter the Constitution." Dimick v. Schiedt, 293 U.S. 474, 487 (1934).

Although the practice of conditioning denial of a new trial upon plaintiff's acceptance of a remittitur had been accepted since it was first authorized by Mr. Justice Story, sitting on circuit in Blunt v. Little, 3 (Mason) F. Cas. 760 (C.C.D. Mass. 1822) (No. 1578), this Court's analysis of the common law, as it existed at the time the Seventh Amendment was enacted, led it to the conclusion that it "may be that if the question of remittitur were now before us for the first time, it would be decided otherwise." Dimick v. Schiedt, 293 U.S. 474, 484. In light of the questionable constitutionality of even the

practice of offering remittitur as an alternative to a new trial, the Second Circuit's extension of the practice to an enforced remittitur, without even the option of a retrial before a jury, cannot pass constitutional muster.

If the Circuit Court found the amount of damages excessive, it had only one alternative. Because it possessed no greater authority than the trial judge, it could only have offered the choice between a remittitur or a new trial. Linn v. United Plant Guard Workers, 383 U.S. 53, 65-66 (1966).

The Seventh Amendment entitled plaintiff to receive either the damages awarded it by the second jury or, if it declined a remittitur, a third trial before another jury. The Circuit erred in denying plaintiff that right. This Court should,

therefore, grant this petition for a writ of certiorari to decide whether the Second Circuit correctly ignored the century-old rule of Kennon that appellate courts may not mandate judgment for a sum less than that awarded by a jury.

B. THE DECISION BELOW ESTABLISHED A SHARP CONFLICT AMONG THE CIRCUITS AS TO WHETHER COURTS OF APPEALS MAY IMPOSE A VERDICT WHERE THEY CONCLUDE A JURY VERDICT IS EXCESSIVE

Not only did the decision of the Court of Appeals violate plaintiff's constitutional right to a trial by jury (see Parts A and B, supra), it also established a split between the Second Circuit and most of the other Circuits as to whether an appellate court may mandate a remittitur, without offering a new trial, consistent with the Seventh Amendment. Among the other Circuits, only the

Eleventh is even arguably in agreement with the Second Circuit.

The Eleventh Circuit has reduced a verdict of $250,000 by exactly $36,952.89, finding that, "we cannot find any evidence," to support the additional amount. Quality Foods, Inc. v. U.S. Fire Ins. Co., 715 F.2d 539, 542 (11th Cir. 1983). Since that decision, it has both offered the option of a new trial, T.D.S. Inc. v. Shelby Mutual Ins. Co., 760 F.2d 1520, 1533, rehearing denied, 769 F.2d 1485 (11th Cir. 1985), and noted that "a remittitur order reducing a jury's award to the outer limit of the proof is the appropriate remedy where the jury's damage award exceeds the amount established by the evidence." Goldstein v. Manhattan Industries, Inc., 758 F.2d 1435, 1448, reh.

denied, 765 F.2d 154 (11th Cir.), cert. denied, 474 U.S. 1005 (1985). The decision in Quality Foods, therefore, may be explained by the fact that the court eliminated a jury award for a sum certain, awarded without any evidentiary support.

The practice of offering plaintiff the option of a new trial or a remittitur is accepted in every other circuit. Keeler v. Richards Mfg. Co., Inc., 817 F.2d 1197, 1202 (5th Cir. 1987); Carter v. District of Columbia, 795 F.2d 116, 135 (D.C. Cir. 1986) ("it is not the district court's prerogative to enter a remittitur by fiat. Instead, the appropriate procedure is to pose to plaintiffs the choice between consent to the reduction and a new trial."); Alley v. Gubser Development Co., 785 F.2d 849,

856-7 (10th Cir.), cert. denied, 479 U.S. 961 (1986); McKinnon v. City of Berwyn, 750 F.2d 1383, 1391-2 (7th Cir. 1984); Kazan v. Wolinski, 721 F.2d 911, 914 (3d Cir. 1983); Fenner v. Dependable Trucking Co., Inc., 716 F.2d 598, 603 (9th Cir. 1983); Kolb v. Goldring, Inc., 694 F.2d 869, 875 (1st Cir. 1982); Arnold v. Eastern Air Lines, Inc., 681 F.2d 186, 206 (4th Cir. 1982) (remanding for a new trial), cert. denied, sub nom Aetna Casualty and Surety Co. v. U.S., 460 U.S. 1102 (1983), on rehearing on other grounds, 712 F.2d 899 (4th Cir. 1983), cert. denied, 464 U.S. 1040 (1984); Smith v. John Swafford Furniture Co., Inc., 614 F.2d 552, 553 (6th Cir. 1980).

POINT II

THE COURT OF APPEALS APPLIED AN UNCONSITUTIONAL STANDARD IN VACATING THE JURY AWARD

A. "SHOCK TO THE JUDICIAL CONSCIENCE" IS NOT GROUNDS FOR REVERSING A JURY AWARD

It is well settled that great deference should be given to the trial court's determination on a motion for judgment n.o.v. Indeed, this Court, in Grunenthal v. Long Island Railroad Co., 393 U.S. 156 (1968), observed approvingly that "[t]he Court of Appeals regarded its inquiry as limited to determining whether the trial judge abused his discretion in denying the . . . motion." 393 U.S. 156 at 159. The Court of Appeals here did not find that the trial judge abused his discretion. Indeed, it complimented the care with which he reviewed the evidence presented at the

second trial - evidence only concerning the issue of punitive damages. Characterizing the second jury's award of a slightly higher verdict than that of the first jury as "ironic," (Appendix A 6), and ignoring its own implicit conclusion that the District Court had been persuaded by its careful review to agree with the two juries that the high award was appropriate, the Court went on to examine the size of the verdict. The Second Circuit did not find that the District Court abused its discretion in denying respondents motion for judgment n.o.v.

The Second Circuit found that any award to Getty in an amount larger than $250,000 would be "so high as to shock the judicial conscience and constitute a denial of justice." (Appendix A 9) The Court of Appeals

is apparently referring to its own judicial conscience. When that issue was presented to the District Court, it found the second jury award, although $125,000 higher than the first jury award, supported by the evidence and, implicit in its decision, not so high as to shock its judicial conscience or constitute a denial of justice.

The term, "shock to the judicial conscience," as used by the Second Circuit in this case, constituted no standard at all, but rather a mere subjective reaction. While many examples exist of courts utilizing the term "so high as to shock the judicial conscience and constitute a denial of justice," this term may not be utilized as a rule of law by itself, but rather as the conclusion formed after

a court analyzes the record and finds that the jury award could not be supported by the evidence, or resulted from bias, passion or prejudice, or simply resulted from mathematical error. Where courts of appeals dispense with such findings, reviewing verdicts on the grounds of "shock," alone, the standard is unconstitutional. The term, so used, invites an appellate court to substitute its findings for that of a jury, which in fact happened in this case.

Those cases where appellate courts do not limit themselves to "shock to the judicial conscience," but rather analyze the record for sufficiency of evidence, bias, passion or prejudice, or error in calculation, demonstrate that there is no magic in an amount which itself makes an award

"shocking," or "constituting a denial of justice." In Silkwood v. Kerr-McGee Corp., 485 F. Supp. 566 (W.D. Okla. 1979) aff'd. in part, rev. in part, 667 F.2d 908 (10th Cir. 1981), jur. postponed, 459 U.S. 1101 (1983), rev., 464 U.S. 238 (1984), reh. denied, 465 U.S. 1074 (1984), on remand, 769 F.2d 1451 (10th Cir. 1985), cert denied, 476 U.S. 1104 (1986), the district court allowed, under the circumstances of that case, an award of $5,000 for actual damages and $10,000,000 in punitive damages to stand. Such an award, the court found, could not be set aside as shocking to the conscience. By contrast, in Collum v. Butler, 288 F. Supp. 918, (N.D. Ill. 1968), aff'd., 421 F. 2d 1257, (7th Cir. 1970), the court found a verdict of $17,500

shocking and ordered a new trial or a remittitur of $11,500.

Those cases which constitute a proper and constitutional review of a jury verdict for excessiveness do not rest, alone, on the court's conclusion of shock to the judicial conscience, but rather, depend upon objective findings within the trial record. Thus, in Jackson v. Magnolia Brokerage Co., 742 F.2d 1305 (11th Cir. 1984), although the court of appeals approved the use of the shock to the judicial conscience standard by the district court, which upheld a total personal injury recovery of $400,000, even though the district court would in its discretion have awarded a total recovery of only $280,000, the district court did not limit its inquiry by that standard. The court of

appeals upheld the district court finding that, "the court cannot say that the difference is indicative of bias, passion, prejudice or corruptness, or, in this day and time that it is totally shocking. It was slightly shocking but not to the extent to evidence bias, passion, prejudice, or corruption," 742 F.2d 1305, 1306.

In Abernathy v. Superior Hardwoods, Inc., 704 F.2d 963 (7th Cir. 1983), the court of appeals vacated a personal injury award in the sum of $291,309 as excessive, setting the case down for a new trial on damages unless the plaintiff accept a remittitur in the sum of $138,204.39. The court utilized the following standard in reviewing the district court judgment, "[w]e therefore would not set aside a jury's verdict as

excessive unless there was no rational connection between the evidence on damages and the verdict -- unless, in other words, the verdict was 'monstrously excessive.'" 704 F.2d 963 at 971. The court justified its conclusion by a painstaking analysis of the evidence of damages before the district court.

Again, in reviewing awards for pain and suffering, in Arnold v. Eastern Airlines, Inc., 681 F.2d 186 (4th Cir. 1982), cert. denied, sub nom Aetna Casualty and Surety Co. v. U.S., 460 U.S. 1102 (1983), on rehearing on other grounds, 712 F.2d 899, (4th Cir. 1983), cert. denied, 464 U.S. 1040 (1984), the court recognized appellate review of an award for excessiveness is:

> "extremely limited. . . to determine whether a verdict

> is not merely excessive but outrageously or monstrously so, we have recognized that a verdict cannot be so characterized if there is in the record credible evidence with which if accepted by the jury and given its most favorable inferences will support it."

681 F.2d 182, 202.

These cases are all consistent with this Court's decisions in Grunenthal v. Long Island Railroad Co., 393 U.S. 156, 158 (1968) and Neese v. Southern Railway Co., 350 U.S. 77, 78 (1955), where this Court refused to disturb denials by the trial courts of motions for a new trial on the grounds that the verdicts were excessive, as the trial courts' determinations were supported by sufficient evidence.

An appropriate analysis of the phrase "shocking to the judicial conscience" was made by Judge Weinfeld in

Reynolds v. Pegler, 123 F. Supp 36 (S.D.N.Y. 1954), aff'd, 223 F.2d 429 (2d. Cir.), cert. denied, 350 U.S. 846 (1955):

> The fact that a Court may disagree with the jury's award, or had a Court been sitting as the trier of the fact, it would have awarded a lesser sum, is not the test on a motion to set aside or reduce a verdict on the ground of excessiveness. The Court may not substitute its judgment for that of a jury. In general, the authorities are in accord that it is only when the amount awarded shocks the 'judicial conscience' that the court is warranted in interfering with the award (Footnote omitted). This is but another way of saying that before acting the Court must be satisfied that the result is not based upon a rational consideration of the evidence and the proper application of the law. (Emphasis added).

123 F. Supp. 36, 39. While often used as shorthand for a detailed analysis of the evidence, "shock to the

judicial conscience," when used as a substitute for such analysis, deprives a plaintiff of its right to trial by jury and constitutes an unconstitutional standard.

What is "shocking to the judicial conscience," or constitutes "a denial of justice", cannot be determined in a vacuum. For example, the the District Court in this case found the first jury's punitive damage award of $875,000 so high as to shock its conscience. When plaintiff declined to accept the District Court's remittitur, the issue of punitive damages was retried. After a three-day trial, the District Court found that "[t]he evidence in the second trial supports the jury's finding . . . the jury could have found . . . [that defendants'] net

worth was approximately $2.9 million." (Appendix B 13-14).

The judicial conscience of the District Court, shocked by the first verdict, ceased to be shocked, even by a slightly larger verdict, when a second jury returned a verdict of approximately the same magnitude as the first. In examining its conscience, the Second Circuit was bound to consider not only the fact that two separate juries reached substantially similar verdicts on the question of punitive damages, but also the fact that the District Court, whose conscience had been shocked by the first award, allowed the second award to stand. The Court of Appeals erred by substituting its conscience for that of the District Court and two juries. Even if courts of appeals are

empowered to review the size of damage awards, in the absence of a finding that a district court abused its discretion in accepting the findings of a jury, a court of appeals has no right to vacate the amount awarded, no less create its own amount.

This case makes clear that the appellate courts review jury verdicts without the guidance of an appropriate constitutional standard of review. The flippant use, as a standard, of the conclusion that an award is "so high as to shock the judicial conscience and constitute a denial of justice," invites the danger that an appellate court will dispense with its duty to review the record for a determination that: (i) the verdict is not supported by the evidence; or (ii) that it was brought about by passion

or prejudice; or finally (iii) that it resulted from an error in calculation. That, in fact, occurred in this case. Accordingly, it is important that this Court grant a writ of certiorari to determine the appropriate constitutional guidelines under which a jury verdict may be challenged for excessiveness.

B. IN CONSIDERING THE EXCESSIVENESS OF THE VERDICT, THE COURT OF APPEALS IMPROPERLY MADE AN EVALUATION OF THE RATIO OF PUNITIVE DAMAGES TO COMPENSATORY DAMAGES

As previously noted, the Second Circuit determined in Dagnello v. Long Island Railroad Co., 289 F.2d 797 (2d Cir. 1961), that in considering the size of the punitive damage award, as required by Grunenthal v. Long Island Railroad Co., 393 U.S. 156, 159 (1968), a court must "make a detailed appraisal of the evidence." Instead

of examining the evidence in detail, the Court of Appeals in this case simply looked at the ratio between compensatory and punitive damages, which was "4:100", (1:25), and found it to be "grossly disproportionate." (Appendix A 9) Based solely on that comparison, the Court then reduced the punitive damages to a proportion of no less than 4:25.

There is no requirement in either Federal or New York State law that a punitive damage award bear any special proportion to an award for compensatory damages. Morrissey v. National Maritime Union of America, 554 F.2d 19, 34 (2d Cir. 1976); Roy Export Company v. Columbia Broadcasting Systems Inc., 503 F. Supp. 1137, 1154 (S.D.N.Y. 1980) aff'd. 672 F.2d 1095 (2d Cir.) cert. denied, 459 U.S. 826

(1982); Reynolds v. Pegler, 123 F. Supp. 36, 41 (S.D.N.Y. 1954), aff'd. 223 F.2d 429 (2d Cir.), cert. denied, 350 U.S. 846 (1955); Doralee Estates Inc. v. Cities Service Oil Company, 569 F.2d 716, 722 (2d Cir. 1977). The Second Circuit itself has recognized this, approving punitive damages against defendants that were twenty times the size of the compensatory damage award ($60,000 punitive damages compared to $3,000 compensatory damages). Morrissey v. National Maritime Union, 544 F.2d at 34. The Court of Appeal's error of failing to make a proper evaluation of the facts, was thus compounded by its total reliance on a mathematical ratio, which should have been at most a minor factor in the decision.

The New York Court of Appeals, in Toomey v. Farley, 2 N.Y.2d 71, 156 N.Y.S.2d 840 (1956), specifically rejected the contention that punitive damages need bear any fixed relationship to compensatory damages. The Court stated, "punitive damages are allowed on the ground of public policy and not because the plaintiff has suffered any monetary damages for which he is entitled to reimbursement; the award goes to him simply because it is assessed in his particular suit," 2 N.Y.2d 71, 83. Furthermore, the Court specifically noted that the issue of the amount to be awarded rested with the jury and that:

> There is nothing in the record to lead us to conclude that in resolving that issue they were motivated by passion or prejudice and we cannot say that the amount of damages awarded the plaintiffs does not have

> support in the record or is excessive as a matter of law.

2 N.Y.2d 71 at 83-84; Hartford Accident & Indemnity Co. v. Village of Hempstead, 48 N.Y.2d 218, 397 N.E.2d 737, 422 N.Y.S.2d 47 (1979) (citing Toomey v. Farley, with approval). Under New York law, a punitive damages award may not be overturned merely as disproportionate to actual damages, but rather only if objective evidence in the record demonstrates that it resulted from passion or prejudice or that it is against the weight of the evidence.

POINT III

THE FEDERAL COURTS ARE AUTHORIZED TO CHARGE PUNITIVE DAMAGES IN AN APPROPRIATE CASE

Although punitive damages are not specifically authorized by the Lanham Act, they are similarly not specifically excluded by the Act. In such cases, it is within the power of the federal judiciary to determine whether an award of punitive damages is appropriate. Morrissey v. National Maritime Union of America, 544 F.2d 19, 24 (2d Cir. 1976); Basista v. Weir, 340 F.2d 74, 87 (3rd Cir. 1965). In this case, where petitioner's federally protected trademark was willfully violated, resulting in a fraud upon the public, punitive damages are an appropriate remedy.

This Court recently considered the question of the availability of

punitive damages in § 1983 actions. Smith v. Wade, 461 U.S. 30 (1983). Noting that the common law of torts allows the recovery of punitive damages where a defendant's conduct is outrageous because it results from an evil motive or reckless indifference to the rights of others, 461 U.S. 30, 46-47, the Court went on to note that it could "discern no reason why a person whose federally guaranteed rights have been violated should be granted a more restrictive remedy than a person asserting an ordinary tort cause of action." 461 U.S. 30 at 48-49.

The Court of Appeals conclusion that punitive damages may only be awarded under state law deprived petitioner of a federal remedy for its federally guaranteed trademark rights.

As a consequence, the costs of proving punitive damages eventually awarded by the amended judgment of the United States District Court for the Eastern District of New York, on January 12, 1989, in the sum of $250,000, fell on the petitioner. By denying that a federal district court may charge punitive damages under the Lanham Act in an appropriate case, petitioner lost its right to attorney's fees which were otherwise properly awarded due to the willful nature of defendants' infringement. This result cannot be reconciled with the purpose of an award of attorney's fees under the Lanham Act and certiorari should be granted to correct that result.

CONCLUSION

For all of the above reasons, this Court should issue a writ of certiorari, as prayed for herein, to review the opinion and judgment of the United States Court of Appeals for the Second Circuit.

Dated: Garden City, New York
February 4, 1989

Respectfully submitted,

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88-1330 (2)

SUPREME COURT, U.S.
FILED
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No.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1988

GETTY PETROLEUM CORP.,

Petitioner.

– against –

SALEM HEAT & PETROLEUM CORP. and LEWIS CAHILL,

Respondents.

APPENDIX TO PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

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APPENDIX A

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

No. 1289—August Term 1987

(Argued June 23, 1988 Decided October 20, 1988)

Docket No. 88-7268

GETTY PETROLEUM CORP.,

Plaintiff-Appellee,

—v.—

ISLAND TRANSPORTATION CORP., SKYBOLT AUTO SERVICE, INC., VITO P. GERBINO, VINCENT R. GERBINO, THUNDERKING, INC., TRI-STAR BROKERS, INC., TURGOT OZEN, SALEM HEAT & PETROLEUM CORP., and LEWIS CAHILL,

Defendants,

SALEM HEAT and PETROLEUM CORP., and LEWIS CAHILL,

Defendants-Appellants.

SALEM HEAT & PETROLEUM CORP.,
and LEWIS CAHILL,

Third-Party Plaintiffs,

—v.—

SKYBOLT AUTO SERVICE, INC., THUNDERKING, INC.,
VITO P. GERBINO, and VINCENT R. GERBINO,

Third-Party Defendants.

Before:

NEWMAN, KEARSE, and CARDAMONE,
Circuit Judges.

Defendants Salem Heat & Petroleum Corp. and Lewis Cahill appeal from a final judgment of the United States District Court for the Eastern District of New York (Mishler, J.) entered on its March 4, 1988 Memorandum Decision and Order (modified on March 28, 1988) finding appellants liable to Getty Petroleum Corp. for compensatory and punitive damages and attorney fees following two jury trials on its trademark infringement claims.

Affirmed in part, reversed in part, and remanded.

CARL S. LEVINE, Mitchel Field, New York (Meredith Barg, Levine & Robinson, Mitchel Field, New York, of counsel), *for Defendants-Appellants.*

ROBERT G. DEL GADIO, Garden City, New York (Randolph E. White, Garden City, New York, of counsel), *for Plaintiff-Appellee.*

C. Fred Weil, Jericho, New York (Davis & Weil, Jericho, New York, of counsel), *submitted brief for Third-Party Defendants-Appellees.*

CARDAMONE, *Circuit Judge*:

This appeal from the Eastern District of New York presents four issues of law arising from the infringement of a registered trademark. Appellants Salem Heat & Petroleum Corp. and Lewis Cahill appeal from a jury verdict which found that they had secretly and unlawfully sold and delivered non-Getty brand gasoline to two Long Island Getty-branded service stations in 1985 and 1986, intentionally infringing the Getty trademark. The jury assessed compensatory and punitive damages in favor of the plaintiff, Getty Petroleum Corp. The case required two trials in the district court. It seems that everything has an end except this litigation, because though the compensatory damages portion of the judgment is affirmed, the award of punitive damages must be reversed and the case remanded to the district court for further consideration of punitive damages under New York law.

BACKGROUND

The facts relating to this appeal may be stated briefly. As a condition to its approval of the 1984 purchase of the Getty Oil Company by Texaco, Inc., the Federal Trade Commission required Texaco to transfer the "Getty" tradename and trademark and to divest itself of the acquired company's northeastern marketing facilities. Power Test Corp. bought Getty Oil's northeastern business in February, 1985 from Texaco and obtained an exclusive trademark license for the "Getty" marks. On July 11, 1985 ownership of the "Getty" marks was transferred to Power Test, which thereupon changed its name to Getty Petroleum Corp. (Getty Petroleum). Getty Petroleum continued the business formerly conducted by Getty Oil and is the plaintiff in this litigation.

Appellant Salem Heat & Petroleum Corp. (Salem), a Port Washington, New York distributor of gasoline and petroleum products, is owned and operated by appellant Lewis Cahill. Salem sold and delivered approximately 500,000 gallons of non-Getty gasoline to Getty-branded service stations in Middle Village and Garden City Park, New York, in 1985 and 1986. At both stations this gasoline was sold as Getty-brand gasoline in violation of the franchise agreements between appellants and Getty Petroleum.

In 1986 Getty Petroleum brought a diversity suit in the United States District Court for the Eastern District of New York (Mishler, J.) against the above two stations' owners and operators. Getty Petroleum also sued three gasoline distributors—including Salem—and their two owners and operators—one of whom is Cahill—seeking injunctive relief and damages for these defendants' infringement of the Getty trademark. In particular, plaintiff's amended complaint alleges that defendants' actions

constituted: infringement of its federally registered trademark causing irreparable damage to its goodwill and reputation (Count I); false designation of origin, false description and false representation of the gasoline in violation of the Lanham Trademark Act of 1946, 15 U.S.C. § 1125(a) (Count II); unfair competition (Count III); dilution of the quality of the Getty mark in violation of N.Y. Gen. Bus. Law §§ 368, 368-d (Count IV); and false and misleading advertising in violation of N.Y. Gen. Bus. Law §§ 350, 350(d) (Count V). Seven of the nine named defendants—other than the two appellants Salem and Cahill—settled with plaintiff Getty Petroleum before trial.

The gravamen of Getty Petroleum's claims against appellants Salem and Cahill—which, as noted, has been the subject of two jury trials—was that they infringed the Getty mark by delivering non-Getty gasoline to Getty-branded service stations. At the first trial held in November, 1987 appellants conceded the substance of plaintiff's allegations, but attempted to prove that Getty had acquiesced in the infringement. The jury was not persuaded, and returned a special verdict finding that appellants had "knowingly and intentionally contributorily infringe[d]" the Getty trademark as to both service stations, and assessed their joint proportionate share of fault at 50 percent. The jury found that "as a result of the activities of Salem and/or Cahill," plaintiff's lost profits at the Middle Village station were $39,335 and at the Garden City Park station were $3,920, the sum of which is the $43,255 awarded plaintiff as compensatory damages. Finally, having found appellants' actions to have been done intentionally and "with a callous disregard for the rights of Getty in its trademark," the jury assessed punitive damages against appellants in the amount of $875,000.

Following that verdict, appellants moved, *inter alia*, for a judgment notwithstanding the verdict (j.n.o.v.) pursuant to Fed. R. Civ. P. 50(b) or, alternatively, for a remittitur of the punitive damages award. Judge Mishler denied the former relief, but granted appellants' motion to vacate the $875,000 punitive damages award unless Getty agreed to remit the sum of $775,000 and to accept the balance of $100,000. Counsel for Getty Petroleum elected on behalf of his client not to accept the remittitur. The district court thereupon vacated the punitive damage award because it found the $875,000 verdict so high as to shock its conscience. Judge Mishler then ordered a second trial limited to the issue of punitive damages. Ironically, at the second trial, the jury returned an even larger verdict for plaintiff, this time awarding $1 million in punitive damages. Appellants again unsuccessfully moved for a j.n.o.v.

Accordingly, in its March 4, 1988 Decision and Order, the district court granted plaintiff judgment for a total of $43,255, plus 6 percent interest, in compensatory damages, $1 million in punitive damages, and attorney fees for the first trial. Getty Petroleum was later awarded attorney fees for the second trial. In addition, Judge Mishler denied Salem and Cahill's request for a set-off of the compensatory damage award against the amounts paid by the settling tortfeasors, and dismissed *sua sponte* their third-party complaint for contribution against the operators of the Middle Village station. The district court judge carefully reviewed the additional evidence regarding punitive damages presented at the second trial and declined to vacate this award, as he had after the first trial. From this judgment, Salem and Cahill appeal.

DISCUSSION

Four issues are raised: (1) the propriety of the punitive damages award; (2) the district court's refusal to bifurcate the liability and damages issues for trial; (3) its refusal to reduce appellants' liability for compensatory damages; and (4) the dismissal of appellants' third-party complaint seeking contribution from settling co-defendants.

I *Punitive Damages*

Appellants first argue that punitive damages are not available as a remedy under § 35 of the Lanham Act, 15 U.S.C. § 1117(a) (Supp. IV 1986). Recently, we ruled on this issue in *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, Nos. 87-7668, *et al.*, slip op. at 6331 (2d Cir. Sept. 22, 1988) (*Getty I*). In *Getty I*, we examined the language of § 35 of the Lanham Act, its legislative history and the relevant case law. Such analysis persuaded us that § 35 does not authorize an award of punitive damages for a willful infringement of a registered trademark. Consequently, the punitive damages awarded in the instant case—which will be referred to hereafter for purposes of clarity as *Getty II*—must be vacated.

Nevertheless, the instant case differs from *Getty I* in one significant respect. In *Getty I*, before the case was submitted to the jury, plaintiff withdrew all of its asserted causes of action, except its claim of trademark infringement in violation of the Lanham Act. Thus, the only theory of recovery considered by the jury—which awarded compensatory and multimillion dollar punitive damages—was federal infringement. On appeal, the principal issue in *Getty I* was whether punitive damages are available under § 35 of the Lanham Act. Holding that such an award was

not authorized, we reversed that portion of the verdict. In *Getty II*, on the other hand, plaintiff did not withdraw its non-Lanham Act claims. Although defense counsel asked that all but the federal infringement claims be dismissed as duplicative, the district judge refused, reasoning that it would be better to submit fact questions to the jury in order to determine the answers to the legal issues raised by the five counts, and that Getty Petroleum had raised sufficient questions on its state law claims to withstand appellants' motion to dismiss.

An award of punitive damages might still be an available remedy for Getty Petroleum's non-Lanham Act causes of action in the instant case. 2 J. McCarthy, *Trademarks and Unfair Competition*, § 30:29(A) at 517 (2d ed. 1984) ("In jurisdictions where punitive damages are available in tort cases, they are equally allowable in cases of trademark infringement and unfair competition."); *see Le Mistral, Inc. v. Columbia Broadcasting System*, 61 AD2d 491, 494-95 (1st Dept. 1978) (punitive damages recoverable in *ex delicto* actions based upon malice, fraud, wanton or reckless disregard of plaintiff's rights or where the wrong is aggravated by evil motive), *appeal dismissed*, 46 N.Y.2d 940 (1979); *see also Roy Export Co. v. Columbia Broadcasting System*, 672 F.2d 1095, 1106 (2d Cir.) (New York law authorizes punitive damages for unfair competition, and federal copyright policy against punitive damages is irrelevant), *cert. denied*, 459 U.S. 826 (1982); *Underwriters' Laboratories v. Smith*, 41 Misc.2d 756, 756 (Sup. Ct. Kings Cnty. 1964) (assessing punitive damages for unfair competition).

Yet, because the district court did not expressly determine whether: (1) plaintiff's non-Lanham Act claims were still alive at the close of the trial; (2) punitive damages may

be awarded under the law of New York for those claims; (3) plaintiff had proved its state law causes of action, we must remand this case for it to determine whether plaintiff proved any non-Lanham Act claims for which punitive damages would be available under New York law.

Salem and Cahill further urge that even if they were liable for punitive damages, the second jury's award of $1 million is grossly excessive. They point out that such an award constitutes approximately 50 percent of their net worth and is likely to ruin them financially. Although there is no mathematical formula to compute punitive damages, such an award must bear a reasonable relationship to a plaintiff's injury and defendant's malicious intent. *See Lerman v. Flynt Distributing Co.*, 745 F.2d 123, 141-42 (2d Cir. 1984), *cert. denied*, 471 U.S. 1054 (1985) (libel); *Universal City Studios v. Nintendo Co.*, 615 F. Supp. 838, 863 (S.D.N.Y. 1985) (tortious interference with contract), *aff'd*, 797 F.2d 70 (2d Cir.), *cert. denied*, 479 U.S. 987 (1986). Here the ratio of compensatory damages—which are not nominal—to punitive damages is approximately 4:100, which appellants contend is unreasonably disproportionate.

We agree that a punitive damage award in the amount of $1 million on these facts is grossly disproportionate to the proven actual damages. Therefore, on remand, if Judge Mishler finds that Getty has demonstrated its entitlement to punitive damages under New York law, judgment should be entered in an amount not to exceed $250,000, since any amount larger than that would be "so high as to shock the judicial conscience and constitute a denial of justice." *See Zarcone v. Perry*, 572 F.2d 52, 56 (2d Cir. 1978). Because all the facts are before the district court in the trial records, there is no need for a third jury

trial in this matter. Instead, the trial court should now decide the three recited questions on which it had not previously expressly ruled.

II *Bifurcated Trial*

Before the first trial, Salem and Cahill requested a bifurcated trial, limited to the issues of infringement, appellants' share of damages, if any, and plaintiff's entitlement to punitive damages. A second trial, if necessary, would have addressed the amount of punitive damages. Judge Mishler denied the request. Appellants now contend that New York law requires a bifurcated trial, and that the jury's determination respecting liability was prejudiced by Getty Petroleum's having focused on Cahill's net worth, and attacking Cahill's credibility on that issue.

In *Rupert v. Sellers*, 48 AD2d 265 (4th Dept. 1975), New York's Appellate Division, Fourth Department, held that evidence of a defendant's wealth is not relevant to deciding whether a plaintiff is entitled to punitive damages. Only after it has been determined by special verdict that a defendant's conduct entitles a plaintiff to such damages is it necessary or appropriate for a defendant's financial resources to be introduced into evidence. *Id.* at 272. We have approved this approach. *See Brinks Inc. v. City of New York*, 717 F.2d 700, 707 (2d Cir. 1983). Nonetheless, whether to bifurcate a trial into liability and damages phases is a matter within the sound discretion of the trial court. *See* Fed. R. Civ. P. 42(b); *Katsaros v. Cody*, 744 F.2d 270, 278 (2d Cir.), *cert. denied, sub nom. Cody v. Donovan*, 469 U.S. 1072 (1984). The district court thought that requiring the jury to render a special verdict on liability might disqualify that jury if it later needed to decide the issue of damages. Although we disagree with that view,

defendant did not seek to persuade the trial court that a second jury would not be required, and we cannot say that the district court's refusal to bifurcate the trial in the interests of judicial expediency was an abuse of its discretion. Further, though the jury decided the damages issue against defendant Cahill, it could well have done so because of the blatant inconsistencies in his testimony, rather than on account of the evidence of his wealth. Hence, we are not persuaded that proof pertaining to Cahill's net worth prejudiced the jury's determination of liability.

III *Compensatory Damages*

Appellants' third argument is that the district court erred in not allowing a setoff of the compensatory damage award in an amount equivalent to that paid by the settling tortfeasors. New York law provides that when a codefendant tortfeasor settles with the plaintiff, the release "does not discharge any of the other tortfeasors from liability for the injury . . . , but it reduces the claim of the releasor against the other tortfeasors" by the greatest of: (1) the amount stipulated in the release; (2) the amount actually paid; or (3) the amount of the released tortfeasor's equitable share of the damages. N.Y. Gen. Oblig. Law § 15-108 (McKinney 1978). Section 15-108 applies to actions brought under federal statutes in New York. *See First Fed. Sav. & Loan v. Oppenheim, Appel, Dixon & Co.*, 631 F. Supp. 1029, 1036 (S.D.N.Y. 1986) (federal securities claims).

After the first jury trial, Salem and Cahill moved to have the $43,255 compensatory damage award decreased under § 15-108 because Getty had settled with its co-defendants. At a hearing on their motion for offset, appellants argued that the compensatory award for their share

of the infringement at the Middle Village station—$39,335—should be reduced in light of the $52,500 plaintiff received in settlement from Vito and Vincent Gerbino (and their corporate alter egos), operators of the Middle Village station. They urged similarly that the compensatory award of $3,920 for infringement at Garden City Park station should be reduced given Getty's receipt of $10,000 from Daniel Feigenbaum, the station's operator, arguing that Getty had already received more than the total amount of damages attributable to that station. Alternatively, appellants asked to have the compensatory award offset by 50 percent because the jury fixed their share of liability at that percentage.

Judge Mishler declined to offset the compensatory damage award because appellants failed to establish that payments made to Getty by the settling defendants were for the *same injury*. The district court, for example, found Feigenbaum's settlement represented actual and punitive damages as well as attorney fees and costs, that the operators of the Middle Village station settled for actual and punitive damages, attorney fees and costs, and that the settlements by two other distributors (Tri-Star Brokers and Island Transportation Corp.) covered all of Getty's possible claims for deliveries to those Getty stations. Hence, the district court held that offset was not appropriate here. We agree.

As noted, the special verdict form asked the first jury to calculate Getty Petroleum's lost profits at the Middle Village and Garden City Park stations "as a result of the activities of Salem and/or Cahill." The compensatory damages assessed against appellants were intended to remedy Getty Petroleum's injury stemming solely from appellants' contributory infringement. Because the jury's

compensatory award did not take into account plaintiff's injuries attributable to the settling codefendants, Salem and Cahill may not invoke § 15-108 to decrease their liability for compensatory damages by virtue of these settlements. *See Whitney v. Citibank, N.A.*, 782 F.2d 1106, 1118 (2d Cir. 1986) (where distinct injuries caused by different defendants, § 15-108(a) does not apply, and no grounds for offset exist).

IV *Contribution*

The final issue raised concerns contribution. Salem and Cahill filed a third-party complaint for contribution against the Gerbinos, Sky Bolt Auto Service, Inc., and Thunderking, Inc. with respect to liability for trademark infringement at the Middle Village station. The district court severed this claim from the trial on the ground that it would unduly delay the trial of Getty Petroleum's claims. In his March 4, 1988 Decision and Order, Judge Mishler dismissed *sua sponte* appellants' third-party complaint, holding that appellants had no claim of contribution against the operators of the Middle Village station.

Appellants argue that there is generally an implied right of contribution among joint tortfeasors which should apply to the Lanham Act, citing three securities cases: *Sirota v. Solitron Devices, Inc.*, 673 F.2d 566, 578 (2d Cir.), *cert. denied*, 459 U.S. 838 (1982); *Tucker v. Arthur Andersen*, 646 F.2d 721, 727 n.7 (2d Cir. 1981); *Stowell v. Ted S. Finkel Inv. Servs.*, 641 F.2d 323, 325 (5th Cir.), *reh'g denied*, 647 F.2d 1123 (1981). There is no federal common law of contribution, even though there are a few instances where federal common law has been formulated when " 'necessary to protect uniquely federal interests.' " *Texas Indus. v. Radcliff Materials, Inc.*, 451 U.S. 630, 640

(1981), *quoting Banco Nacional de Cuba v. Sabbatino*, 376 U.S. 398, 426 (1964). The securities statutes at issue in the cases relied upon by appellants provide for specific rights of contribution, *see Texas Indus.*, 451 U.S. at 640 n.11, whereas the trademark statute at issue here does not.

Further, the Supreme Court refused to imply a right of contribution under the Equal Pay Act and in Title VII, stating "[t]he comprehensive character of the remedial scheme expressly fashioned by Congress strongly evidences an intent not to authorize additional remedies." *Northwest Airlines v. Transport Workers Union*, 451 U.S. 77, 93-94 (1981). The Court was not swayed by its decisions to imply a right of contribution in other areas of the law, such as admiralty, because in that area Congress had given the courts the power to fashion the controlling rules of substantive law. Thus, admiralty law is a "narrow exception." *Id.* at 95-96. In a similar vein, the Supreme Court refused to imply a right of contribution under the antitrust laws in *Texas Industries*, noting—in rejecting an argument that contribution should be implied as readily as joint and several liability—that it is up to Congress, not the courts, to provide a right of contribution. 451 U.S. at 646.

As already discussed, the jury assessed compensatory damages for Getty Petroleum's lost profits which resulted from appellants' contributory infringement of the Getty mark. The third-party defendants may not be held jointly liable for that portion of Getty Petroleum's injury. No express right of contribution exists under the Lanham Act, and Judge Mishler correctly concluded that it was inappropriate to imply such a right.

CONCLUSION

The judgment of the district court is affirmed in part and reversed in part, the punitive damages award is vacated and the case is remanded for further proceedings consistent with this opinion.

APPENDIX B

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
----------X
GETTY PETROLEUM CORP., CV 86-0247

Plaintiff,

-against-

SALEM HEAT & PETROLEUM CORP.
and LEWIS CAHILL,

Defendants. Memorandum of Decision and Order

----------X
SALEM HEAT & PETROLEUM CORP.,
and LEWIS CAHILL,

Third-Party Plaintiffs,

-against-

SKYBOLT AUTO SERVICE, INC.,
THUNDERKING, INC., VITO B.
GERBINO, and VINCENT R. GERBINO,

March 4, 1988

Third-Party Defendants.
----------X
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MISHLER, District Judge

The verdict of the jury against the above named defendants in this action awarded compensatory damages against the defendants as follows:

Lost profits for the period February 1, 1985 to December 19, 1985, at the Middle Village Service Station --$39,335.

Lost Profits for the period April 1985 through March 1986 at the Garden City Park Service Station-- $3,920.

The jury found that the operators of the respective service stations shared the responsibility for the violation with defendants to the extent of 50%.

The jury further found that the acts of contributory infringement by the defendants were done "knowingly, intentionally, maliciously and with a callous disregard for the rights of

Getty in its trademark," and assessed punitive damages in the amount of $875,000.

Plaintiff's Motions

Plaintiff moves:

1. to amend question 12 of the special verdict to reflect the assessment of damages against both Salem Heat & Petroleum Corp. and Lewis Cahill; and

2. for attorney's fees in the amount of $46,474.50 plus disbursements in the amount of $9,046.65--a total of $55,521.15.

Defendants' Motions

Defendants move:

1. for judgment N.O.V. pursuant to Fed. R. Civ. P. 50(b) and 59 on the ground that the plaintiff acquiesced in the violation of its trademark for the service station operators;

2. for judgment N.O.V. pursuant to Fed. R. Civ. P. 50(b) and 59 to set aside the award of punitive damages or alternatively to reduce the amount awarded; and

3. to set off and thus reduce compensatory damages by one-half to reflect the sums received by plaintiff from the service station operators pursuant to New York General Obligations Law § 15-108. 1/

DISCUSSION

Defendants concede that the failure to name Lewis Cahill in question 12 of the special verdict was an oversight and under the theory of liability submitted to the jury, the defendants were to be considered as a single entity. The finding of the jury on questions 12, is therefore, amended to read:

12. Punitive damages are assessed against Salem Heat & Petroleum Corp. and Lewis Cahill in the amount of $875,000.

Attorney's Fees and Costs

Defendants concede that the hours plaintiff claims in its application for attorney's fees were reasonably necessary in prosecuting its claim, the hourly rates claimed are reasonable, and the sums disbursed were reasonable in amount and reasonably necessary. However, defendants challenge plaintiff's right to attorney's fees on the ground that this is not an "exceptional case." 2/

An "exceptional case" under the Lanham Act is one where the infringing acts are done maliciously, fraudulently, deliberately or willfully. See Otis Clapp & Son, Inc. v. Filmore

Vitamin Co., 754 F.2d 738, 746 (7th Cir. 1985); Sealy, Inc. v. Easy Living, Inc., 743 F.2d 1378, 1384 (9th Cir. 1984); Spring Mills, Inc. v. Ultracashmere House, Ltd., 724 F.2d 352, 357 (2d Cir. 1983). Where the acts intend to and in fact do result in deception of the public, the case is clearly "exceptional." The jury here found that the defendants' infringing acts were done "knowingly, intentionally, maliciously and with a callous disregard for the rights of Getty in its trademark." (Question 11). See Quaker State Oil Refining Corp. v. Kooltone, Inc., 649 F.2d 94, 95 (2d Cir. 1981). We find that defendants were aware that members of the motoring public would be deceived into believing that they were purchasing unleaded gasoline supplied to the

service station by Getty, and deliberately made deliveries of unbranded gasoline knowing that it would be sold under the Getty trademark, and that this is an exceptional case. See Sealy, 743 F.2d at 1384.

Plaintiff is awarded the sum of 55,521.15 as and for attorney's fees and costs. Getty is to pay over to its counsel the difference between the sums paid or to be paid under its special arrangement with counsel and the amount received as the award for attorney's fees.

Motions to Set Aside Verdicts N.O.V.

A fact question was presented to the jury on the issue of acquiescence. The jury found that Getty did not acquiesce in the violation of its trademark at either the Middle Village station (Question 5) or the Garden

City Park Station (Question 10). The motion to set aside the verdict on the issue of acquiescence or to grant a new trial on the issue is in all respects denied. See McBryde v. Carey Lumber Co., 819 F.2d 185, 188 (8th Cir. 1987).

Motion to Vacate Punitive Damage Award

We turn to the motion to vacate the punitive damage award as excessive or alternatively to direct a new trial on the issue unless the plaintiff consents to a reduced amount.

We believe that punitive damages may be awarded in a Lanham Act claim under Quaker State Oil Refining Corp. v. Kooltone, Inc., 649 F.2d 94 (2d Cir. 1981). 3/ Our finding that the infringing acts were done knowingly, intentionally, maliciously and with a callous disregard for Getty's rights

in its trademark, resulting is a fraud upon the public, gives Getty the right to punitive damages.

The purpose of assessing punitive damages against a defendant found to have violated a trademark is to deter the defendant from repeating the acts and to deter others who might be so inclined from committing the acts. In fulfilling that purpose, the punitive damage award should not result in financial ruin to the wrongdoers. Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001, 1025 (9th Cir. 1985), cert. denied, 474 U.S. 1059, 106 S. Ct. 802 (1986). The court has a duty "to keep a verdict for punitive damages within reasonable bounds considering the purpose to be achieved . . ." Aldrich v. Thomson McKinnon Securities, Inc., 756 F.2d

243, 248-49 (2d Cir. 1985) (quoting Lanfranconi v. Tidewater Oil Co., 376 F.2d 91, 97 (2d Cir.)), cert. denied, 389 U.S. 951, 88 S. Ct. 334 (1967); see also Tolliver V. Amici, 800 F.2d 149, 151 (5th Cir. 1986). A punitive damage award is excessive if it shocks the conscience of the court or is oppressive. It must be carefully restrained by practical considerations. See Brinks, Inc. v. City of New York, 546 F. Supp. 403, 413-14 (S.D.N.Y. 1982) (See Cases cited). Excessive punitive damage awards should be cut back where there is no specific and easily quantifiable error underlying the award, for damages should not be permitted to go beyond that amount reasonably necessary to secure the purposes of such awards, and thus to become part of a windfall

to the individual litigant. Aldrich, 756 F.2d at 249. In directing a new trial in Aldrich, unless the plaintiff was willing to accept $1.5 million dollars in lieu of any award of $3 million, the court noted:

> [E]ven though punitive damages need bear no exact relationship to compensatory damages, we are convinced on this record, that $3 million goes considerably beyond what may fairly be justified in order to discourage repetition of Thomson McKinnon's grossly negligent conduct, or instances of such conduct by other brokerage firms.

Id. at 249. (In Aldrich the jury returned a verdict of $175,000 in compensatory damages. Thomson McKinnon had $2 billion in assets and a net worth of $162 million). See also Ramsey v. American Air Filter Co., Inc., 772 F.2d 1303, 1314 (7th Cir. 1985). (In claim under 42 U.S.C.

§ 1981, discrimination in employment because of race, punitive damage award of $150,000 set aside unless plaintiff agreed to a remittitur reducing award to $20,000); Malandris v. Merrill Lynch, Pierce, Fenner & Smith, Inc., 703 F.2d 1152, 1177-78 (10th Cir. 1981), cert. denied, 464 U.S. 824, 104 S. Ct. 92 (1983) (where $1 million, thirty thousand in compensatory damages was awarded, $3 million punitive damage award set aside unless plaintiff agreed to accept $1 million).

The court granted Cahill's motion to vacate the award of punitive damages in the amount of $875,000 unless the plaintiff remitted the sum of $775,000 and accepted the sum of $100,000 as and for punitive damages. 4/

On January 26, 1988, the court announced its decision in open court in the presence of counsel for the parties. Robert Del Gadio, counsel for Getty, refused to remit on behalf of his client. The court thereupon directed a retrial of the issue of punitive damages. After a three-day trial the jury awarded the sum of $1 million as and for punitive damages. Cahill moved to set aside the verdict. The court denied the motion. The evidence in the second trial supports the jury's finding. The evidence discloses that Salem sells approximately 15,000,000 gallons of unbranded gasoline a year. The issue of the gasoline a year. The issue of the validity of the marital separation of defendant Cahill and his wife, through which Elvira Cahill obtained the bulk

of the couple's material assets, was placed before the jury. The jury could have found, as Getty contended, that the separation agreement was simply a device to present Cahill as having a net worth of approximately $325,000 when in fact his net worth was approximately $2.9 million.

Motion to Reduce Compensatory Damages

The defendants' claim to a reduction of the compensatory damages to one-half of the amount found by the jury is based upon the jury's further finding that the operators of the service stations were responsible for the trademark infringement to the extent of fifty percent (50%).

On December 9, 1986, Getty entered into an agreement of settlement with the operators of the Middle Village service station, i.e., Vito P.

Gerbino, Vincent R. Gerbino, Skybolt Auto Service, Inc. and Thunder King, Inc. (described as "the Skybolt defendants"). Under the terms of the agreement the Skybolt defendants agreed, inter alia, to pay the sum of $10,000. The agreement provided that:

> Getty shall execute a general release running in favor of the Skybolt defendants upon the execution of this stipulation.

It further provided:

> This stipulation is not intended to release defendants Salem Petroleum & Heat Corp., or Lewis Cahill, or any other person or entity and plaintiff Getty Petroleum Corp. reserves all of its rights against all parties other than Vito P. Gerbino, Vincent R. Gerbino, Thunder King, Inc., and Skybolt Auto Service, Inc. 5/

Getty received the sum of $10,000 from Daniel Feigenbaum, the operator of the Garden City Park

service station, in full satisfaction of the judgment entered in the case of Getty Petroleum Corp. v. Bartco Petroleum Corp., CV 86-0246 (E.D.N.Y. Sept. 2, 1987).

Defendants claim their right to offset the amounts recovered by Getty as compensatory damages by the amounts received from the Geribnos and Feigenbaum, or at least have the amount of recovery reduced by 50% in accordance with the verdict fixing the proportionate degree of fault between them and the operators of the service station. The argument is based on New York General Obligations Law ("G.O.L.") § 15-108. 6/

The right to contribution is derived from federal law -- either expressly or impliedly granted by statute or by judicial fiat when

"necessary to protect unequally federal interests . . ." Texas Industries, Inc. v. Radcliff Materials, Inc., 451 U.S. 630, 640, 101 A. Ct. 2061, 2067 (1981). The Court in Texas Industries holding

> that neither the Sherman Act nor the Clayton Act confers on federal courts the broad power to formulate the right to contribution . . .

Id. at 646, 101 S. Ct. at 2070, noted

> Nor does the judical determination that defendants should be jointly and severally liable suggest that courts also may order contribution, since joint and several liability simply ensures that the plaintiffs will be able to recover the full amount of damages from some, if not all, participants.

Id. at 646, 101 S. Ct. at 2069-70.

The right of contribution against joint tortfeasors is not available in claims based on discrimination under the Equal Pay Act of Title VII of the

Civil Rights Action of 1964. Northwest Airlines v. Transport Workers Union, 451 U.S. 77, 101 S. Ct. 1571 (1981). The Court in Northwest Airlines noted:

> Whatever may be a federal court's power to fashion remedies in other areas of the law, we are satisfied that it would be improper for us to add a right to contribution to the statutory rights that Congress created in the Equal Pay Act and Title VII.

Id. at 98, 101 S. Ct. at 1584. 7/

In passing, we review our decision to sever defendant's claim against Sky Bolt Auto Service, Inc., Thunderking, Inc., Vito P. Gerbino and Vincent R. Gerbino for contribution on the ground that the trial on the third party claim would unduly delay the trial of the Getty claims. We find that defendants have no claim for contribution against Skybolt Auto

Service, Inc., et al. We sua sponte dismiss the third party claim. We further find the jury's verdict in fixing the proportionate share of fault between defendants and the operators of the stations to be irrelevant. We therefore vacate the jury's finding on Questions 4 and 9 of the special verdict.

We turn to defendants' claim that payments made by the Gerbinos and Feigenbaum should be credited against Getty's recovery. "We start with the fundamental principle that a payment made by a joint tortfeasor diminishes the claim against the remaining tortfeasors." (citations omitted). Seymour v. Summa Vista Cinema, Inc., 809 F.2d 1385, 1389 (9th Cir. 1987). See also Screen Gems-Columbia Music,

Inc. v. Metlis & Lebow Corp., 453 F.2d 552, 554 (2d Cir. 1972).

The defense of offset must be pleaded and established by defendants. The payment made by the Gerbinos was not for settlement of the claim for actual damages alone, but included punitive damages and the liability for attorney's fees and costs. Feigenbaum received a satisfaction of judgment which represented actual damages and punitive damages. He received a release releasing him for a claim for attorney's fees and costs.

Tri Star Brokers, Inc. paid Getty the sum of $7,500 in settlement of the claim against it. Island Transportation Corp. paid the sum of $15,000 in settlement of the claim against it. These corporations paid the sums in consideration of Getty's

releasing them not only for the deliveries of non-Getty gasoline to the Middle Village Station (Gerbinos) and the Garden City Park Station (Feigenbaum) but for all claims of contributory infringement in delivering non-Getty gasoline to other Getty stations.

Defendants failed to establish that the payments made to Getty were for the same injury. Defendants may not offset such payments against the sums assessed in favor of Getty as compensatory damages. See Whitney v. Citibank, N.A., 782 F.2d 1106, 1118 (2d Cir. 1986).

Additionally we find that if such credit for payments were established, a decrease in the amount of compensatory damages would be inadequate and we would increase the reduced amount

to the sum the jury found Getty lost in profits as a result of the infringement.

CONCLUSION

Judgment is granted in favor of plaintiff Getty Petroleum Corp. and against Salem Heat & Petroleum Corp. and Lewis Cahill as follows:

The sum of $39,335 with interest at 6% per annum from December 19, 1985 (Middle Village Station) in the amount of $5,135 for a total sum of $44,470.

The sum of $3,920 with interest at 6% per annum from April 1, 1986 (Garden City Park Station) in the amount of $470.00 for a total sum of $4,390.

The sum of $1 million assessed as punitive damages.

The sum of $55,520.15 as and for attorney's fees.

Injunctive relief as prayed for in this complaint is granted.

SO ORDERED.

S/

U. S. D. J.

FOOTNOTES

1/ Defendants also moved for a stay of execution pursuant to Rule 62. A stay was granted pending appeal by order dated December 29, 1987 based on a stipulation.

2/ Defendants also claim that the hourly rate should not be the attorney's usual and customary rate, but rather the rate charged Getty under a special arrangement. We have previously discussed this issue in a memorandum of decision and order dated September 2, 1987 in Getty Petroleum Corp. v. Bartco Petroleum Corp., CV 86-0246. For the reasons therein stated, we find that plaintiff is entitled to reimbursement at the fair and reasonable rate reflected in the attorney's usual charge for the services rendered. The higher fee, of course, would normally be taxed as part of the costs. The attorney will receive the additional fee from plaintiff when it is received by plaintiff.

3/ See this court's memorandum of decision of June 22, 1987 in Getty Petroleum Corp. v. Bartco Petroleum Corp., CV 86-0246 noting a split in the circuits on this question. See, e.g., Metric and Multistandard Components Corp. v. Metric's Inc., 635 F.2d 710, 716 (8th Cir. 1980); and Caesar's World, Inc. v. Venus

Lounge, Inc., 520 F.2d 269, 274 (3rd Cir. 1975) both holding that punitive damages are not available; Transgo, Inc. v. Ajac Transmission Parts Corp., 768 F.2d 1001, 1024-25 (9th Cir. 1985), cert. denied, 474 U.S. 1059, 106 S. Ct. 802 (1986); and Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co., 561 F.2d 1365, 1374-76 (10th Cir. 1977), cert. dismissed, 434 U.S. 1052, 98 S. Ct. 905 (1978) both holding that punitive damages may be awarded in Lanham Act claims.

4/ In summation plaintiff's counsel asked the jury to award $3 million in punitive damages.

5/ Getty also received $7,500 from Tri-Star Brokers, Inc. and $35,000 from Island Transportation Corp.

6/ G.O.L. § 15-108 provides in pertinent part:

> (a) a release given "to one of two or more persons liable or claimed to be liable in tort for the same injury . . . does not discharge any of the other tortfeasors for the injury . . . unless its terms expressly so provide, but it reduces the claim of the releasor against the other tortfeasors to the extent

> of any amount stipulated by the release . . . .
>
> (b) a release given in good faith by the injury person to one tortfeasor . . . relieves him from liability to any other person for contribution. . . .
>
> (c) a tortfeasor who has obtained his own release from liability shall not be entitled to contribution from any other person.

7/ The right of contribution is available in claims of federal securities violation. See Hetzer Corp. v. Ross, 601 F.2d 330 (7th Cir. 1979).

APPENDIX C

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK
----------X
GETTY PETROLEUM CORP., CV 86-0247

Plaintiff,

-against- Memorandum of Decision

ISLAND TRANSPORTATION CORP., SKYBOLT AUTO SERVICE, INC., VITO P. GERBINO, VINCENT R. GERBINO, TRI-STAR BROKERS, INC., TURGOT OZEN, SALEM HEAT & PETROLEUM CORP., and LEWIS CAHILL,

Defendants.
----------X
SALEM HEAT & PETROLEUM CORP., and LEWIS CAHILL,

Third-Party Plaintiffs,

-against- January 12, 1989

SKYBOLT AUTO SERVICE, INC., THUNDERKING, INC., VITO P. GERBINO and VINCENT R. GERBINO,

Third-Party Defendants.
----------X
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MISHLER, District Judge

The claims against Salem Heat & Petroleum Corp. ("Salem") and Lewis Cahill are before this court on remand from the Second Circuit Court of Appeals, Getty Petroleum Corp. v. Island Trans. Corp., et al., ___ F.2d ___ (2d Cir. 1988) to determine :

> whether (1) plaintiffs' non-Lanham Act claims were still alive at the close of the trial; (2) punitive damages may be awarded under the law of New York for those claims; (3) plaintiff had proved its state law causes of action; and (4) the award of attorney's fees under New York law.

The Complaint

The first paragraph of the complaint captioned "Jurisdiction and Venue" charged the defendants

> for infringement of rights in a trademark, service mark and a trade name under the common law and for unfair competition; and for dilution of the distinctive quality of Plaintiff's trademark in violation of New York State General Business Law, Article 24, §§ 368 et seq., § 368(b) [New York Anti-dilution Violation]; and for false advertising in violation of New York State General Business Law §§ 350 and 350-d.

The allegations of the complaint charged Salem, Cahill and co-defendants with delivering non-Getty gasoline to gasoline service stations licensed by Getty to sell only unleaded gasoline delivered by Getty and that the motoring public was deceived in believing that it was purchasing Getty unleaded gasoline at the Getty service stations. The complaint alleges that such acts "constitute unfair competition with the plaintiff" (Count III); a

violation of New York State General Business Law §§ 368 and 368-d (Count IV); a violation of New York State General Business Law §§ 350 and 350-d (Count V).

The State Law Claims Were Still Alive at the Close of the Trial

Getty did not withdraw its non-Lanham Act claims. The claim made by Salem and Cahill that this court, by referring in its charge to trademark infringement (and not to unfair competition), and similarly presenting the fact questions to the jury, demonstrates that Getty abandoned all the non-Lanham Act claims, is rejected. Plaintiff's counsel made it clear at the pre-charging conference that Getty's theory of liability included unfair competition by defendants and that trademark infringement

constituted unfair competition. At the close of the evidentiary part of the case, in response to defendants' counsel's motion to dismiss the non-Lanham Act claims, the court in denying the motion explained that theories of liability remain for the court after the jury has decided the fact issues.

The acts of contributory infringement that the jury found were committed by Salem and Cahill were the acts of sale and delivery of non-Getty unleaded gasoline to Getty gasoline service stations with the knowledge that the gasoline was for sale to the motoring public as Getty gasoline. The jury further found that those acts were "done knowingly, intentionally and with a callous disregard for the

rights of Getty in its trademark." (Question 11).

DISCUSSION

The State Law Claims Were Established

In Dell Publishing Co. v. Stanley Publications, Inc., 9 N.Y.2d 126, 211 N.Y.S.2d 393, 398 (1961), the New York Court of Appeals held:

> It is fundamental that the substantive law of trade-marks is merely a portion of the broader law of unfair competition (citation omitted); and that it is intended to discourage and restrain one from palming off his goods and/or their origin as the goods of another (citation omitted). While we undoubtedly have jurisdiction over actions involving unfair competition, it is equally fundamental that, although Federal law may govern an action for infringement of a Federally registered trade-mark, we share jurisdiction over such actions with the Federal courts. (citation omitted).

See Safeway Stores, Inc. v. Safeway Properties, Inc., 307 F.2d 495, 497

n.1 (2d Cir. 1962); Sears, Roebuck & co. v. Stiffel Company, 376 U.S. 225, 232, 84 S. Ct. 784, 789 (1964) (The Lanham Act does not preempt rights based on state law. States "may protect businesses in the use of their trademarks. . . .) Mastro Plastics Corp. v. Emenee Industries, Inc., 19 A.D.2d 600, 240 N.Y.S.2d 624 (1st Dep't 1963), aff'd, 14 N.Y.2d 498, 248 N.Y.S.2d 223 (1964).

The plaintiff proved its claim of unfair competition in establishing the knowing and intentional infringement by defendants of its trademark rights. Plaintiff proved a violation of § 368-d of the New York General Business Law. Section 368-d provides for injunctive relief "in cases of infringement of a mark registered or not registered or in cases of unfair

competition. . . ." Dreyfus Fund, Inc. v. Royal Bank of Canada, 525 F. Supp. 1108, 1125 (S.D.N.Y. 1981) (The findings and conclusions reached with respect to the trademark cause of action make it highly likely that the New York Statute has been violated. If anything, the likelihood of a violation of § 368-d is greater than the Lanham Act). Plaintiff also proved a claim under § 350-d of the New York General Business Law. Section 350-d provides the remedy of damages based on a claim of false advertising under § 350(a). A claim of false advertising includes "labelling, which is misleading in a material respect. . . ." See Galaxy Export, Inc. v. Bedford Textile Products, Inc., 84 A.D.2d 572, 434 N.Y.S.2d 439 (2d Dep't 1981). That section grants

the court the right to "award reasonable attorney's fees to a prevailing plaintiff."

Punitive Damages may be Awarded Under New York Law

The Circuit Court's opinion answers the question of the availability of punitive damages in an unfair competition case under New York law citing Roy Export Co. Establishment v. Columbia Broadcasting System, Inc., 672 F.2d 1095, 1106 (2d Cir.), cert. denied, 459 U.S. 826, 103 S. Ct. 60 (1982) (New York law clearly permits punitive damages where a wrong is aggravated by recklessness or willfulness. . . .) Were we bound by the principle stated in Walker v. Sheldon, 10 N.Y.2d 401, 223 N.Y.S.2d 488, 179 N.E.2d 497 (1961) that punitive damages may be awarded only in an action where the fraud is aimed at the

public, we would find that condition satisfied. The deception practiced in selling non-Getty gasoline as Getty gasoline was indeed aimed at the ultimate consumer--the motoring public. See The Wisser Co., Inc. v. Mobil Oil Corp., 730 F.2d 54, 60 (2d Cir. 1984).

Attorney's Fees

Plaintiff argues that it is "entitled to all remedies available under New York State law" and that since its claim for punitive damages is based on its unfair competition claim "misbranding, mislabelling and false advertising of non-Getty gasoline as Getty gasoline. . . ." (Letter, Del Gadio & White, Dec. 21, 1988), the court may award reasonable attorney's fees under § 350-d(3) of the New York General Business Law.

Punitive damages are not available under § 350-d as that section permits enhancement of damages "to an amount not to exceed three times the actual damages up to one thousand dollars. . . ."

Prior to the 1975 amendment to § 1117 authorizing the award to attorney's fees in "exceptional cases," attorney's fees were not reimburseable. In Textron, Inc. v. Spi-Dell Watch & Jewelry Co., 406 F.2d 544, 545 (2d Cir. 1968), the court held:

> It is clear that counsel fees may not be recovered in actions under the federal Lanham Act. Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714, 87 S. Ct. 1404, 18 L.Ed.2d 475 (1967). Textron seeks to avoid this rule by asserting that its award of counsel fees was based not on federal law but on violation of its common law rights. This too is

> unavailing. It is far from clear that a New York Court would allow counsel fees in trademark infringement actions, Winthrop Chemical Co. v. Blackman, 159 Misc. 451, 288 N.Y.S. 389 (Sup. Ct. 1936), or in unfiar competition suits, Miss Susan, Inc. v. Enterprise & Century Undergarment Co., 270 App. Div. 747, 62 N.Y.S.2d 250 (1st Dep't 1946), aff'd, 297 N.Y. 512, 74 N.E.2d 461.

In seeking attorney's fees based on § 350-d(3), plaintiff is bound by the limitations set forth for the violation of the statutory right, i.e., enhancement of damages to a sum not in excess of one thousand dollars. The remedies for violations of all the various rights asserted are not cumulative. Plaintiff is entitled to the most favorable remedies available on any right asserted. Getty has elected to rest on its unfair competition claim and has accepted the

sum of $250,000 as punitive damages. (Letter, Del Gadio & White dated October 25, 1988).

Getty's request for attorney's fees and fees for the second trial are denied. Payment in the amount of $78,605.46 having been made by defendants shall be returned in the form of a credit against the punitive damages. 1/

An amended judgment is entered this day.

U. S. D. J.

FOOTNOTE

1/ If punitive damages were not available the court would have trebled the award of actual damages under § 1117. Since punitive damages are awarded, enhancement is not appropriate.

APPENDIX D

EDNY
86-CV-0247
MISHLER

UNITED STATES COURT OF APPEALS
FOR THE
SECOND CIRCUIT

At a stated Term of the United States Court of Appeals for the Second Circuit, held at the United States Courthouse in the City of New York, on the twentieth day of October, one thousand nine hundred and eighty-eight.

Present: HON. JON O. NEWMAN
HON. AMALYA L. KEARSE
HON. RICHARD J. CARDAMONE

Circuit Judges,

GETTY PETROLEUM CORP.,

Plaintiff-Appellee,

-v-

ISLAND TRANSPORTATION CORP., SKYBOLT AUTO SERVICE, INC., VITO P. GERBINO, VINCENT R. GERBINO, THUNDERKING, INC., TRI-STAR BROKERS, INC., TURGOT OZEN, SALEM HEAT & PETROLEUM CORP., and LEWIS CAHILL,

Defendants,

SALEM HEAT AND PETROLEUM CORP.,
and LEWIS CAHILL,

Defendants-Appellants

SALEM HEAT & PETROLEUM CORP.
and LEWIS CAHILL,

Third-Party Plaintiffs,

-v- Docket # 88-7268

SKYBOLT AUTO SERVICE, INC.,
THUNDERKING, INC., VITO P. GERBINO
and VINCENT R. GERBINO

Third-Party Defendants.

Appeal from the United States District Court for the Eastern District of New York

This cause case on to be heard on the transcript of record from the United States District Court for the Eastern District of New York, and was argued by counsel.

ON CONSIDERATION WHEREOF, it is now hereby ordered, adjudged and decreed that the Judgement of said District Court be and it hereby is affirmed in part, reversed in part, the punitive damages award is vacated

and the case is remanded for further proceedings consistent with this opinion.

ELAINE B. GOLDSMITH,
Clerk

S/_____
BY: EDWARD J. GUARDARO,
Deputy Clerk

A TRUE COPY
ELAINE B. GOLDSMITH, CLERK

BY:S/_____
DEPUTY CLERK

NOVEMBER 14, 1988

ISSUED AS MANDATE:

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE SECOND CIRCUIT

At a stated term of the United States Court of Appeals, in and for the Second Circuit, held at the United States Courthouse, in the City of New York, on the fifth day of December one thousand nine hundred and eighty-eight.

Present: HON. JON O. NEWMAN,
HON. AMALYA L. KEARSE,
HON. RICHARD J. CARDAMONE
CIRCUIT JUDGES

----------X

GETTY PETROLEUM CORP.,

Plaintiff-Appellee,

-v- 88-7268

SALEM HEAT AND PETROLEUM CORP. and LEWIS CAHILL,

Defendants-Appellants

----------X

A petition for a rehearing having been filed herein by counsel for the plaintiff-appellee, Getty Petroleum Corp.

Upon consideration thereof, it is

ORDERED that said petition be and it hereby is DENIED.

ELAINE B. GOLDSMITH
Clerk

S/
By: Fred M. Cassidy
Chief Deputy Clerk

APPENDIX F

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant--

(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies

hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

* * *

§ 1116. Injunctive relief

(a) Jurisdiction; service

The several courts vested with jurisdiction of civil actions arising under this chapter shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative

and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be fond.

(b) Transfer of certified copies of court papers

The said courts shall have jurisdiction to enforce said injunction, as provided in this chapter, as fully as if the injunction has been granted by the district court in which it is sought to be enforced. The clerk of the court or judge granting the injunction shall, when required to do so by the court before which application to enforce said injunction is made, transfer without delay to said court a certified copy of all papers on file in his office upon which said injunction was granted.

(c) Notice to Commissioner

It shall be the duty of the clerks of such courts within one month after the filing of any action, suit, or proceeding arising under the provisions of this chapter to give notice thereof in writing to the Commissioner setting forth in order so far as known the names and addresses of the litigants and the designating number or numbers of the registration or registrations upon which the action, suit, or proceeding has been brought, and in the event any

other registration be subsequently included in the action, suit, or proceeding by amendment, answer, or other pleading, the clerk shall give like notice thereof to the Commissioner, and within one month after the decision is rendered, appeal taken or a decree issued the clerk of the court shall give notice thereof to the Commissioner, and it shall be the duty of the Commissioner on receipt of such notice forthwith to endorse the same upon the file wrapper of the said registration or registrations and to incorporate the same as a part of the contents of said file wrapper.

(d) Civil actions arising out of use of counterfeit marks

(1)(A) In the case of a civil action arising under Section 1114(1)(a) of this title or section 380 of Title 36 with respect to a violation that consists of using a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services, the court may, upon ex parte application, grant an order under subsection (a) of this section pursuant to this subsection providing for the seizure of goods and counterfeit marks involved in such violation and the means of making such marks, and records, documenting the manufacture, sale, or receipt of things involved in such violation.

(B) As used in this subsection the term "counterfeit mark" means--

(i) a counterfeit of a mark that is registered on the principal register in the United States Patent and Trademark Office for such goods or services sold, offered for sale, or distributed and that is in use, whether or not the person against whom relief is sought knew such mark was so registered; or

(ii) a spurious designation that is identical with, or substantially indistinguishable from, a designation as to which the remedies of this chapter are made available by reason of section 380 of Title 36;

but such term does not include any mark or designation used in connection with goods or services of which the manufacture or producer was, at the time of the manufacture or production in question authorized to use the mark or designation for the type of goods or services so manufactured or produced, by the holder of the right to use such mark or designation.

(2) The court shall not receive an application under this subsection unless the applicant has given such notice of the application as is reasonable under the circumstances to the United States attorney for the judicial district in which such order

is sought. Such attorney may participate in the proceedings arising under such application if such proceedings may affect evidence of an offense against the United States. The court may deny such application if the court determines that the public interest in a potential prosecution so requires.

(3) The application for any order under this subsection shall--

(A) be based on an affidavit or the verified complaint establishing facts sufficient to support the findings of fact and conclusions of law required for such order; and

(B) contain the additional information required by paragraph (5) of this subsection to be set forth in such order.

(4) The court shall not grant such an application unless --

(a) The person obtaining an order under this subsection provides the security determined adequate by the court for the payment of such damages as any person may be entitled to recover as a result of a wrongful seizure or wrongful attempted seizure under this subsection; and

(B) the court finds that it clearly appears from specific facts that --

(i) an order other than an ex parte seizure order is not adequate to achieve the purposes of section 1114 of this title;

(ii) the applicant has not publicized the requested seizure;

(iii) the applicant is likely to succeed in showing that the person against whom seizure would be ordered used a counterfeit mark in connection with the sale, offering for sale, or distribution of goods or services;

(iv) an immediate and irreparable injury will occur if such seizure is not ordered;

(v) the matter to be seized will be located at the place identified in the application;

(vi) the harm to the applicant of denying the application outweighs the harm to the legitimate interests of the person against whom seizure would be ordered of granting the application; and

(vii) the person against whom seizure would be ordered, or persons acting in concert with such person, would destroy, move, hide, or otherwise make such matter inaccessible to the court, if the applicant were to proceed on notice to such person.

(5) An order under this subsection shall set forth --

(A) the findings of fact and conclusion of law required for the order;

(B) a particular description of the matter to be seized, and a description of each place at which such matter is to be seized;

(C) the time period, which shall end not later than seven days after the date on which such order is issued, during which the seizure is to be made;

(D) the amount of security required to be provided under this subsection; and

(E) a date for the hearing required under paragraph (10) of this subsection.

(6) The court shall take appropriate action to protect the person

against whom an order under the subsection is directed from publicity, by or at the behest of the plaintiff, about such order and any seizure under such order.

(7) Any materials seized under this subsection shall be taken into the custody of the court. The court shall enter an appropriate protective order with respect to discovery by the applicant of any records that have been seized. The protective order shall provide for appropriate procedures to assure that confidential information contained in such records is not improperly disclosed to the applicant.

(8) An order under this subsection, together with the supporting documents, shall be sealed until the person against whom the order is directed has an opportunity to contest such order, except that any person against whom such order is issued shall have access to such order and supporting documents after the seizure has been carried out.

(9) The court shall order that a United States marshal or other law enforcement officer is to serve a copy of the order under this subsection and then is to carry out the seizure under such order. The court shall issue orders, when appropriate, to protect the defendant from undue damage from the disclosure of trade secrets or other confidential information during the course of the seizure, including, when appropriate, orders restricting

the access of the applicant (or any agent or employee of the applicant) to such secrets or information.

(10)(A) The court shall hold a hearing, unless waived by all the parties on the date set by the court in the order of seizure. That date shall be not sooner than ten days after the order is issued and not later than fifteen days after the order is issued, unless the application for the order shows good cause for another date or unless the party against whom such order is directed consents to another date for such hearing. At such hearing the party obtaining the order shall have the burden to prove that the facts supporting findings of fact and conclusions of law necessary to support such order are still in effect. If that party fails to meet that burden, the seizure order shall be dissolved or modified appropriately.

(B) In connection with a hearing under this paragraph, the court may make such orders modifying the time limits for discovery under the Rules of Civil Procedure as may be necessary to prevent the frustration of the purposes of such hearing.

(11) A person who suffers damage by reason of a wrongful seizure under this subsection has a cause of action against the applicant for the order under which such seizure was made, and shall be entitled to recover such relief as may be appropriate, includ-

ing damages for lost profits, cost of materials, loss of good will, and punitive damages in instances where the seizure was sought in bad faith, and, unless the court finds extenuating circumstances, to recover a reasonable attorney's fee. The court in its discretion may award prejudgment interest on relief recovered under this paragraph, at an annual interest rate established under section 6621 of Title 26, commencing on the date of service of the claimant's pleading setting forth the claim under this paragraph and ending on the date such recovery is granted, or for such shorter time as the court deems appropriate.

* * *

§1117. Recovery for violation of rights

(a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits

the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) Treble damages for use of counterfeit mark

In assessing damages under subsection (a) of this section, the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever is greater, together with a reasonable attorney's fee, in the case of any violation of section 1114(1)(A) of this title or section 380 of Title 36 that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services. In such cases, the

court may in its discretion award prejudgment interest on such amount at an annual interest rate established under section 6621 of Title 26, commencing on the date of the service of the claimant's pleadings setting forth the claim for such entry and ending on the date such entry is made, or for such shorter time as the court deems appropriate.

§1118. Destruction of infringing articles

In any action arising under this chapter, in which a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established, the court may order that all lables, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark or any reproduction, counterfeit, copy, or colorable imitation thereof, and all plates, molds, matrices, and other means of making the same, shall be delivered up and destroyed. The party seeking an order under this section for destruction of articles seized under section 1116(d) of this title shall given ten days' notice to the United States attorney for the judicial district in which such order is sought (unless good cause is shown for lesser notice) and such United States attorney may, if such destruction may affect evidence of an offense against the United States, seek a hearing on such

destruction or participate in any hearing otherwise to be held with respect to such destruction.

* * *

§1125. False designations of origin and false descriptions forbidden

(a) Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation or origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

APPENDIX G

AMENDMENT VII--CIVIL TRIALS

In Suits at common law, where the value in controversey shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.